



PANORO MINERALS LTD.
An Exploration Stage Company

Consolidated Financial Statements
December 31, 2009 and 2008

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The consolidated financial statements of Panoro Minerals Ltd. are the responsibility of the Company's management. The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect management's best estimates and judgments based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized and properly recorded and financial information is reliable.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal controls through its Audit Committee, which is comprised primarily of non-management directors. The Audit Committee reviews the results of the audit and the annual consolidated financial statements prior to their submission to the Board of Directors for approval.

The consolidated financial statements have been audited by KPMG LLP, Chartered Accountants, and their report outlines the scope of their examination and gives their opinion on the consolidated financial statements.

"Luquman Shaheen" (signed)

.....

Luquman Shaheen
President
Vancouver, British Columbia

"Michael Kerfoot" (signed)

.....

Michael Kerfoot
Chief Financial Officer
Vancouver, British Columbia



KPMG LLP
Chartered Accountants
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Canada

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the consolidated balance sheets of Panoro Minerals Ltd. as at December 31, 2009 and 2008 and the consolidated statements of operations and deficit, comprehensive loss, accumulated other comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Vancouver, Canada

March 12, 2010

PANORO MINERALS LTD.
An Exploration Stage Company
Consolidated Balance Sheets
(in Canadian dollars)

	December 31, 2009	December 31, 2008
Assets		
Current Assets		
Cash and cash equivalents	\$ 595,793	\$ 2,533,898
Marketable securities (note 4)	72,300	171,680
Accounts and advances receivable	5,023	189,612
Prepaid expenses	11,893	37,297
	685,009	2,932,487
Mineral Interests (note 5)	31,870,004	30,124,779
Equipment (note 6)	117,764	166,746
	\$ 32,672,777	\$ 33,224,012
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 645,674	\$ 910,965
Future Income Tax Liability (note 8)	4,447,740	4,871,222
Shareholders' Equity		
Capital Stock (note 7)	31,584,526	31,191,029
Contributed Surplus (note 7(d))	3,985,451	3,554,576
Accumulated Other Comprehensive Loss	(321,675)	(487,673)
Deficit	(7,668,939)	(6,816,107)
	27,579,363	27,441,825
	\$ 32,672,777	\$ 33,224,012

Nature of Operations and Going Concern (note 1)
Commitments (note 10)
Subsequent Event (note 12 and note 7a)

Approved by the Board:

"Luquman Shaheen" (signed)
..... Director
Luquman Shaheen

"William J. Boden" (signed)
..... Director
William J. Boden

See notes to consolidated financial statements.

PANORO MINERALS LTD.
An Exploration Stage Company
Consolidated Statements of Operations and Deficit
(in Canadian dollars)

	For the Years Ended December 31,	
	2009	2008
Expenses		
Audit	\$ 67,224	\$ 45,667
Consulting	44,248	-
General exploration	-	1,597
Investor relations	10,404	56,530
Legal	57,360	83,680
Office and miscellaneous	49,779	72,911
Regulatory fees	29,391	48,349
Rent	62,508	66,157
Salaries and fees	391,971	704,923
Telephone	33,704	30,232
Transfer agent	4,923	4,834
Travel	42,517	47,213
Stock-based compensation	312,329	664,912
Amortization	20,449	17,735
	1,126,807	1,844,740
Interest income	(2,907)	(154,944)
Foreign exchange loss (gain) (note 2e)	(278,156)	790,277
Loss on disposition of marketable securities	220,520	-
Net Loss for the year before tax	1,066,264	2,480,073
Future income tax expense (recovery)	(213,432)	119,693
Net Loss for the year	852,832	2,599,766
Deficit, beginning of the year	6,816,107	4,216,341
Deficit, end of the year	\$ 7,668,939	\$ 6,816,107
Basic and diluted Loss per share	\$ 0.01	\$ 0.03
Weighted average number of common shares outstanding	84,647,922	84,285,965

PANORO MINERALS LTD.

An Exploration Stage Company

Consolidated Statements of Comprehensive Loss and Accumulated Other Comprehensive Loss

(in Canadian dollars)

Consolidated Statements of Comprehensive Loss	For the Years Ended	
	December 31,	
	2009	2008
Net loss for the year	\$ 852,832	\$ 2,599,766
Unrealized loss on marketable securities	165,998	454,930
Comprehensive loss for the Year	\$ 1,018,830	\$ 3,054,696

Consolidated Statements of Accumulated Other Comprehensive Loss	For the Years Ended	
	December 31,	
	2009	2008
Balance, Beginning of the Year	\$ (487,673)	\$ (32,743)
Unrealized loss on marketable securities	(54,522)	(454,930)
Reclassification on disposition of marketable securities	220,520	-
Balance, End of Year	\$ (321,675)	\$ (487,673)

PANORO MINERALS LTD.
An Exploration Stage Company
Consolidated Statements of Cash Flows
(in Canadian dollars)

	For the Years Ended December 31,	
	2009	2008
Cash Provided By (Used in):		
Operations:		
Net loss for the Year	\$ (852,832)	\$ (2,599,766)
Items not involving cash:		
Amortization	20,449	17,735
Stock-based compensation	312,329	664,912
Future income tax expense (credit)	(213,432)	119,693
Unrealized foreign exchange loss (gain)	(289,191)	774,991
Loss on disposition of marketable securities	220,520	-
Cash flow before working capital changes	(802,157)	(1,022,435)
Net changes in operating balances		
Accounts and advances receivable	184,589	(164,366)
Prepaid expenses	25,404	(27,922)
Accounts payable and accrued liabilities	(688,348)	191,744
	(1,280,512)	(1,022,980)
Investing:		
Proceeds on sale of mineral interests	-	500,000
Proceeds on sale of marketable securities	49,858	-
Mineral interest exploration and development expenditures	(1,159,668)	(4,276,156)
Purchase of equipment	(1,576)	(125,398)
	(1,111,386)	(3,901,554)
Financing:		
Cash proceeds from exercise of options and warrants	-	190,000
Cash proceeds from issue of shares	453,793	-
	453,793	190,000
Increase (Decrease) in cash and cash equivalents	(1,938,105)	(4,734,533)
Cash and cash equivalents, beginning of the year	2,533,898	7,268,431
Cash and Cash Equivalents, End of the Year	\$ 595,793	\$ 2,533,898

Supplemental cash flow information

Cash paid for interest and income taxes was \$nil in 2009 (2008 - \$nil).

Amortization of \$32,263 (2008 - \$28,795) was capitalized to the Antilla property.

Accounts payable includes \$5,000 relating to a deposit received from Strait Gold on the option of the Company's Alicia property.

An accrual for mineral concession fees of \$418,057 (2008 - \$392,444) was included in accrued liabilities and mineral interests at year-end.

Mineral properties include \$58,250 in stock based compensation (2008 - \$nil).

Agents warrants issued in private placement were valued at \$60,296 (2008 - \$nil).

Share subscription receivable for common shares was \$100,000 (2008 - \$nil) issued in private placement.

Future income tax additions capitalized to mineral property were \$79,141 (2008 - \$129,616).

PANORO MINERALS LTD.

An Exploration Stage Company

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company is an exploration stage company engaged principally in the acquisition, exploration and development of mineral properties.

The Company's investment in its mineral interests comprises a significant portion of the Company's assets. Recovery of the carrying value of the investment in these assets is dependent upon the existence of economically recoverable reserves, establishing legal ownership of the resource properties, the ability of the Company to obtain necessary financing to complete the exploration and development, and the attainment of future profitable production or the disposition of these assets for proceeds in excess of their carrying values.

At December 31, 2009 the Company has \$595,793 in cash and accounts payable of \$645,674 of which \$417,670 is payable in June 2010 in order to keep mineral properties in good standing. Combined with expected overhead costs in 2010 the Company does not have sufficient capital at December 31, 2009 to meet their obligations, creating substantial doubt about the Company's ability to continue as a going concern.

In order to meet obligations, and planned exploration and general and administrative costs, the Company has plans to raise funds through the sale of marketable securities, through the exercise of outstanding warrants for Company stock, through joint venture arrangements on their existing properties, or through an additional brokered or private placement. There is no assurance that such financing will be available to the Company. In the event the Company is unable to raise sufficient funds it will not be able to meet its obligations and may not be able to fully realize the value of its mineral properties.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned integrated subsidiaries, Panoro Cayman Ltd., Minera Panoro (Peru) S.A.C, Panoro Apurimac, (formerly Cordillera de las Minas "CDLM"), and Cordillera Copper Ltd. All significant intercompany transactions and balances have been eliminated.

(b) Mineral Interests

The Company capitalizes all costs related to investments in mineral property interests on a property-by-property basis. Such costs include mineral property acquisition costs and exploration and development expenditures, net of any recoveries. Costs are deferred until such time as the extent of mineralization has been determined and mineral property interests are either developed or the Company's mineral rights are allowed to lapse. All deferred mineral property expenditures are reviewed, on a property-by-property basis, to consider whether there are any conditions that may indicate impairment. When the carrying value of a property exceeds its net recoverable amount that may be estimated by quantifiable evidence of an economic geological resource or reserve, joint venture expenditure commitments or the Company's assessment of its ability to sell the property for an amount exceeding the deferred costs, provision is made for the impairment in value.

The amounts shown for acquisition costs and deferred exploration expenditures will be depleted over the useful lives of the properties upon commencement of commercial production or written off if the properties are abandoned or the claims allowed to lapse.

From time to time, the Company may acquire or dispose of a mineral property interest pursuant to the terms of an option agreement. As the options are exercisable entirely at the discretion of the optionee, the amounts payable or receivable are not recorded. Option payments are recorded as property costs or recoveries when the payments are made or received.

PANORO MINERALS LTD.

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Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Equipment

Equipment is recorded at cost and is amortized using the declining-balance method at an annual rate of 20% for office equipment and 30% for computer equipment, mining equipment and vehicles. Leasehold improvements are amortized over the period of the lease. Additions during the year are amortized at one-half the annual rates.

(d) Loss Per Share

Loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company follows the treasury stock method of calculating diluted loss per share, however, diluted loss per share is not separately presented where the effects of the exercise of outstanding options and warrants would be anti-dilutive.

(e) Foreign Currency Translation

The Company's functional currency is considered to be the Canadian dollar. The Company's subsidiaries are integrated foreign operations which are translated into Canadian dollars using the temporal method. Monetary items are translated at the exchange rate in effect at the balance sheet date; non-monetary items are translated at historical exchange rates; revenues and expenses and exploration and development expenditures, at the average rate of exchange for each quarter. Losses arising from the translation of foreign currency are included in the determination of net loss for the period. Foreign exchange on future income tax liabilities relating to the purchase of Panoro Apurimac resulted in a gain of \$289,191 in the year ending December 31, 2009 (loss \$774,991 – 2008).

(f) Stock-Based Compensation

The Company accounts for stock-based compensation using the fair value based method with respect to all stock-based payments to directors, employees and non-employees, including awards that are direct awards of stock and call for settlement in cash or other assets, or stock appreciation rights that call for settlement by the issuance of equity instruments. Under this standard, stock-based payments are recorded as an expense over the vesting period or when the awards or rights are granted, with a corresponding increase to contributed surplus. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to capital stock.

(g) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method of tax allocation, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and their respective income tax basis (temporary differences). Future income tax assets and liabilities are measured using the tax rates expected to be in effect when the temporary differences are likely to reverse. The effect on future income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is enacted or substantially enacted. The amount of future income tax assets recognized is limited to the amount of the benefit that is more likely than not to be realized.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations, impairment of mineral claims and deferred exploration expenditures, determination of the fair value of net assets on acquisition of subsidiary, determination of the variables used in the calculation of stock-based compensation, valuation of future income tax assets, accrued liabilities, and rates for amortization. While management believes the estimates to be reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

(i) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and short-term deposits with original maturities of ninety days or less from the date of acquisition, and are readily convertible into known amounts of cash.

(j) Value Added Taxes Recoverable

The Company incurs value added tax (VAT) in Peru. Effective October 1, 2008 the Company entered into an agreement with the Ministry of Energy and Mines to recover such amounts incurred after that date which relate to the Antilla property. VAT paid related to mineral property expenditures prior to that date are only recoverable when future sales revenues are earned from the related mineral properties by offsetting the VAT otherwise payable at that time. As the VAT payments incurred prior to October 1, 2008 are uncertain of collection, they have been included in mineral property exploration expenditures. VAT expenditures relating to Antilla and incurred after October 1, 2008 and not yet recovered are recorded as receivables to the extent that they are receivable under the agreement.

(k) Asset Retirement Obligations

The Company recognizes an estimate of the liability associated with an asset retirement obligation ("ARO") in the financial statements at the time the liability is incurred. The estimated fair value of the ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is depleted on a straight-line basis over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to operations in the period. The ARO can also increase or decrease due to changes in the estimates of timing of cash flows or changes in the original estimated undiscounted cost. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. The Company has not recorded an ARO as at December 31, 2009.

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Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Financial Instruments

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 income (loss).
- (ii) Available-for-sale financial assets are measured at fair value. Revaluation gains and losses are included in other comprehensive income (loss) 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.

The Company has classified its financial instruments as follows:

Cash and cash equivalents were classified as held-for-trading and accordingly carried at their fair value. Accounts and advances receivable and amounts receivable were classified as loans and receivables and are currently recorded at their amortized cost.

Marketable securities 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).

Accounts payable and accrued liabilities were classified as other financial liabilities and are currently carried at their amortized cost.

(m) Comprehensive Income

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. Gains and losses that would otherwise be recorded as part of net income (loss) are presented in other "comprehensive income" until it is considered appropriate to recognize into net income (loss). The Company reports a consolidated statement of comprehensive loss and includes the account "accumulated other comprehensive loss" in the shareholders' equity section of the consolidated balance sheet.

3. NEW ACCOUNTING STANDARDS

(a) Goodwill and Intangible Assets

Effective January 1, 2009, the Company adopted the new Canadian Institute of Chartered Accountants (CICA) guidelines of Section 3064, *Goodwill and Intangible Assets*, which establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. Adoption of this standard had no effect on the consolidated financial statements.

PANORO MINERALS LTD.
An Exploration Stage Company
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008
(in Canadian dollars)

3. NEW ACCOUNTING STANDARDS (Continued)

(b) Financial instrument disclosure;

Handbook Section 3862, Financial Instruments – Disclosures establishes revised standards for the disclosure of financial instruments. The new standard establishes a three-tier hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

- Level 1 – fair values are based on quoted prices (unadjusted in active markets for identical assets or liabilities);
- Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or
- Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

Changes in valuation methods may result in transfers into or out of an investment's assigned level. This additional disclosure has been provided in note 4.

(c) International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board confirmed that publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for fiscal years beginning on or after January 1, 2011, with earlier adoption permitted. Accordingly, the Company will transition from current Canadian GAAP reporting and commence reporting under IFRS no later than in the first quarter of 2011, with restatement of comparative information presented. The Company has identified mineral property, and future income tax liability, as areas where the adoption of IFRS may have a material effect on the Company's financial reporting. In addition, the Company is currently assessing the elections available under IFRS to determine the effect of each election to the Company. The Company expects to quantify the effects of the application of IFRS on the January 1, 2010 balance sheet during the first half of 2010.

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

Fair value of financial instruments

The carrying values of cash and cash equivalents, accounts, and advances receivable, and accounts payable, and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these instruments.

At December 31, 2009, the Company held marketable securities with a cost of \$393,975 (December 31, 2008- \$659,353) and a fair value of \$72,300 (December 31, 2008 - \$171,680). The difference between fair value and cost of \$321,675 at December 31, 2009 has been included in the statement of accumulated other comprehensive loss.

Cash and cash equivalents and marketable securities are reflected on the balance sheet at fair value and both items are ranked using a level 1 hierarchy as described in note 3 (b).

PANORO MINERALS LTD.

An Exploration Stage Company

Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Continued)

Credit Risk

The Company manages its credit risk through its counterparty ratings and credit limits. The Company is mainly exposed to credit risk on its bank accounts. Bank accounts are primarily with Canadian Schedule 1 banks and Banco de Credito in Peru. The Company has minimal accounts and advances receivable in 2009 and the 2008 amount primarily relates to VAT receivable from the Peruvian government with payment received from the

Peruvian government in 2009. The total cash and cash equivalents and account and advances receivable represent the maximum credit exposure.

Liquidity Risk

The Company manages its liquidity risk by ensuring that there is sufficient capital in order to meet short-term business requirements, after taking into account the Company's holdings of cash. The Company's cash is primarily invested in business bank accounts and bankers acceptances which are available on demand. The Company's cash is not invested in any asset backed commercial paper. Contractual commitments that the Company is obligated to pay in future years are disclosed in note 10 and accounts payable and accrued liabilities require payment within one year.

Market Risk

The significant market risk exposures to which the Company is exposed are foreign currency risk, interest rate risk and equity price risk.

Foreign currency risk

The Company maintains its accounts in Canadian dollars. The Company is exposed to foreign currency fluctuations to the extent mineral interests, exploration expenditures, and operating expenses incurred by the Company are not denominated in Canadian dollars. The Company does not use derivatives or other methods to manage the foreign currency risk. The Company's operations in Peru make it subject to foreign currency fluctuations and such fluctuations may materially affect the Company's financial position and results. The Company's operating results and cash flows are affected to varying degrees by changes in the Canadian Dollar exchange rate vis-a-vis the Peruvian Nuevo Sol, and the US Dollar. The Company purchases foreign currencies as the need arises in order to fund its exploration activities. Corporate expenditures are mainly incurred in Canadian and US dollars.

As at December 31, 2009, the Company's significant exposures to foreign currency risk, based on balance sheet values, were to the Peruvian Nuevo Sol and the US Dollar.

	PEN	\$ US
Cash	5,135	40,490
Accounts and advances receivable	-	-
Prepaid expenses	22,733	282
Accounts payable	(1,299,707)	(10,461)
	(1,271,839)	30,311

The following sensitivity analysis assumes all other variables remain constant and are based on above net exposures. A 10% appreciation or depreciation of the Peruvian Nuevo Sol vis-a-vis the Canadian Dollar would result in a \$41,892 decrease or increase, respectively, in net income and shareholders' equity. A 10% appreciation or depreciation of the US Dollar vis-a-vis the Canadian Dollar would result in a \$2,622 increase or decrease respectively, in net income and shareholders' equity.

Interest rate risk

The Company's bank accounts earn interest income at variable rates. The fair value of its portfolio is relatively unaffected by changes in short-term interest rates. The Company's future interest income is exposed to changes in short-term rates.

PANORO MINERALS LTD.

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Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(in Canadian dollars)

4. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (Continued)

The Company's objective when managing capital is to safeguard the Company's ability to continue as going concern such that it can continue to provide returns for shareholders and benefits for other stakeholders. The Company considers the items included in shareholders' equity as capital. The Company manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, the Company may issue new shares, sell assets to settle liabilities or return capital to its shareholders. The Company is not subject to externally imposed capital requirements.

5. MINERAL INTERESTS

The investment in and expenditures on mineral interests comprise a significant portion of the Company's assets. Realization of the Company's investment in these assets is dependent upon the establishment of legal ownership, the attainment of successful production from the properties or from the proceeds of their disposal.

Although the Company has taken steps to verify the title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfers and title may be affected by undetected defects.

Panoro Apurimac S.A., Peru

On June 7, 2007, the Company completed the acquisition of 100% of the issued and outstanding shares of Panoro Apurimac (formerly Cordillera de las Minas S.A.), a Peruvian corporation, from CVRD International S.A. and El Tesoro CDLM owns a 100% interest in 13 properties located in the Andahuaylas – Yauri Belt of Peru south of Cuzco.

Antilla and Cotabambas are two of the CDLM properties that are in an advanced exploration stage. The remaining 11 properties are Kusiorcco, Cochasayhuas, Checca, Alicia, Promesa, Pistoro Norte, Sancapampa, Humamantata, Pataypampa, Anyo, and Morosayhuas and are all in various stages of exploration.

The Company has focused on advancing Antilla, Cotabambas and Kusiorcco and will further the other properties as the resources become available.

Antilla Property, Peru

The Antilla project (7,400 hectares) is in an advanced exploration stage. A NI 43-101 compliant resource estimate was published on August 4, 2009. The permit from the Peruvian Ministry of Energy and Mines for the 2008 Antilla drilling program was approved on May 21, 2008 and drilling was completed in December of 2008.

Cotabambas Property, Peru

Cotabambas (9,900 hectares) is an advanced exploration project on a cluster of copper gold porphyry systems. Work in 2009 focused on advancing the community relations dialogue and completion of the Semi-detailed Environmental Impact Assessment (EIAsd) required by the Ministry of Energy and Mines (MEM) for the exploration permit

Cochasayhuas and Checca Properties, Peru

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. After CMH earned its 50% interest a joint venture company would be formed in which Panoro could 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.

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Notes to the Consolidated Financial Statements

For the Years Ended December 31, 2009 and 2008

(in Canadian dollars)

5. MINERAL INTERESTS (Continued)

In June 2008, after assessing the permitting issues at both projects, CMH elected to only proceed with the Cochasayhuas Project. On March 6, 2009 CMH decided not to proceed with the joint venture on either property after Panoro did not accept proposed changes to the Joint Venture agreement, and the properties were returned to Panoro.

El Rosal Property, Peru

The Company has a 100% interest in 12 mineral concessions totaling 8,200 hectares located in the Province of Chiclayo, Department of Lambayeque, Peru. The 2008 exploration program at El Rosal commenced on January 26, 2008 and was completed on April 30, 2008.

Alicia Property, Peru

On September 25, 2009 the Company entered into an agreement with Strait Gold Corporation whereby Strait Gold may earn up to 100% in the Company's early stage Alicia copper-gold property in Southern Peru, subject to a 2% net smelter return royalty.

In order to earn 55% of the Alicia project, Strait Gold will have to perform the following

- Issue 100,000 shares of Strait Gold to Panoro on signing; – completed
- Obtain an authorization-to-explore agreement with the local community before March 25, 2011;
- Spend at least US \$150,000 on the Alicia property within the first year after obtaining an agreement;
- Issue 200,000 common shares of Strait Gold one year after obtaining the community agreement;
- Spend at least US \$500,000 within the second year after obtaining the community agreement; and
- Issue 300,000 common shares of Strait Gold two years after obtaining the community agreement.

In order to earn the remaining 45% of the Alicia project, Strait gold will need to spend an additional US \$600,000 in the third year after obtaining the community agreement and issue an additional 400,000 Strait Gold common shares. The net smelter royalty can be reduced from 2% to 1% for a payment of US \$2.3 million which is payable by Strait Gold within six months of obtaining 100% ownership.

Surigao Project, Philippines

The Company had a 40% interest in the Surigao project with the remaining 60% owned by Mindoro Resources Ltd. ("Mindoro"). On March 14, 2007, the Company signed a purchase and sale agreement to sell its remaining interest to Mindoro. As part of the sale agreement, on April 16, 2007, Mindoro paid the Company \$750,000 cash plus 500,000 Mindoro common shares valued at \$0.75 per share. A second payment of \$500,000 cash plus an additional 500,000 Mindoro common shares was made to the Company on April 8, 2008 for a total value of \$800,000.

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 an additional \$500,000 cash, plus an additional \$500,000 cash on the first anniversary of the shipment. The likelihood of the nickel laterite prospect coming into production is unknown at this time. Accordingly, any proceeds to be received by the Company will be included in operations when received.

Huaquirca Joint Venture (Chapi-Chapi and Utupara Projects, Peru)

In 2008 the Company Minera IRL S.A., proposed an amendment to the joint venture arrangement on the Chapi-Chapi project. Under the old arrangement which was entered into before the acquisition of Panoro Apurimac (then CDLM) by Panoro Minerals Ltd, if the project resulted in a large discovery over 3 million ounces of gold and/or 1,000,000 tonnes of copper, Panoro Apurimac retained the right to acquire 50% interest in the project.

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5. MINERAL INTERESTS (Continued)

Under the new arrangement Minera IRL contributed the Chapi-Chapi project to a new joint venture involving Alturas Minerals Corp and their Utorpara Project. In return, Panoro will receive a 4% interest in the new joint venture, increasing to 10% if a large discovery is made, whereby a large discovery has the same definition as the original arrangement outlined above.

Expenditures made on mineral interests by the Company during the year are as follows:

	El Rosal	Antilla	Cotabambas	Other	Total
Acquisition costs					
Balance, December 31, 2008	\$ -	\$ 8,856,256	\$ 7,444,990	\$ 4,554,754	\$ 20,856,000
Additions	-	-	-	-	-
Balance, December 31, 2009	-	8,856,256	7,444,990	4,554,754	20,856,000
Deferred exploration expenditures in 2009					
Amortization	-	32,302	-	-	32,302
Assay	862	65,018	-	160	66,040
Camp, materials and exploration support	465	150,225	19,267	407	170,364
Community relations	198	103,250	17,279	10,091	130,818
Contract labour	-	119,272	1,324	-	120,596
Drilling	-	37,965	-	-	37,965
Equipment rental	-	728	-	-	728
Exploration office costs	990	54,514	3,178	381	59,063
Geological consulting and contracting	-	212,247	1,849	4,383	218,479
Geophysical and other consulting	6,858	70,884	260	13,343	91,345
Legal	-	616	9,050	2,591	12,257
Mineral concession fees	44,527	24,500	203,271	170,237	442,535
Project management	16,982	93,954	-	15,453	126,389
Recording fees, taxes	-	4,730	-	7,011	11,741
Reports, drafting and maps	1,431	-	-	-	1,431
Stock-based compensation	5,220	37,451	6,255	9,324	58,250
Travel and accommodation	311	62,647	13,446	9,377	85,781
Increase in future income tax liabilities	9,271	69,870	-	-	79,141
	87,115	1,140,173	275,179	242,758	1,745,225
Balance, December 31, 2008	4,557,854	3,819,182	477,439	414,304	9,268,779
Balance, December 31, 2009	4,644,969	4,959,355	752,618	657,062	11,014,004
Total	\$ 4,644,969	\$ 13,815,611	\$ 8,197,608	\$ 5,211,816	\$ 31,870,004

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5. MINERAL INTERESTS (Continued)

	For the Year Ended December 31, 2008				
	El Rosal	Antilla	Cotabambas	Other	Total
Acquisition costs					
Balance, December 31, 2007	\$ -	\$ 8,856,256	\$ 7,444,990	\$ 4,554,754	\$ 20,856,000
Additions	-	-	-	-	-
Balance, December 31, 2008	-	8,856,256	7,444,990	4,554,754	20,856,000
Deferred exploration expenditures in 2008					
Amortization	-	28,795	-	-	28,795
Assay	39,508	214,139	-	-	253,647
Camp, materials and exploration support	39,327	270,743	10,872	441	321,383
Community relations	10,311	90,830	6,258	2,495	109,894
Contract labour	85,460	253,857	805	-	340,122
Drilling	500,059	1,763,661	-	-	2,263,720
Equipment rental	3,768	39,859	-	-	43,627
Exploration office costs	3,464	73,411	1,147	633	78,655
Geological consulting and contracting	40,781	204,084	12,127	8,757	265,749
Geophysical and other consulting	2,553	85,998	17,075	-	105,626
Legal	-	11,316	-	22,809	34,125
Mineral concession fees	44,927	26,430	195,922	109,525	376,804
Project management	44,723	169,661	12,656	3,673	230,713
Recording fees, taxes	1,196	17,366	8	8,037	26,607
Reports, drafting and maps	3,690	1,299	-	-	4,989
Travel and accommodation	24,635	178,700	6,977	2,627	212,939
Increase in future income tax liabilities	22,719	106,897	-	-	129,616
	867,121	3,537,046	263,847	158,997	4,827,011
Balance, December 31, 2007	3,690,733	282,136	213,592	255,307	4,441,768
Balance, December 31, 2008	4,557,854	3,819,182	477,439	414,304	9,268,779
Total	\$ 4,557,854	\$ 12,675,438	\$ 7,922,429	\$ 4,969,058	\$ 30,124,779

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6. EQUIPMENT

	December 31, 2009			December 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Computers and office furnishings	25,351	13,087	12,264	25,039	10,061	14,978
Equipment	139,640	72,781	66,858	138,376	37,407	100,969
Vehicles	69,984	40,399	29,586	69,984	28,241	41,743
Leasehold Improvements	13,584	4,528	9,056	13,584	4,528	9,056
Total	248,559	130,795	117,764	246,983	80,237	166,746

7. CAPITAL STOCK

Authorized - Unlimited common shares without par value

	Number of Shares	Amount
Balance - December 31, 2007	83,689,390	\$ 30,896,529
Stock options exercised	950,000	190,000
Transfer from contributed surplus on exercise of options	-	104,500
Balance - December 31, 2008	84,639,390	31,191,029
Private placement, net of issue costs	3,114,000	553,793
Agents warrants issued on private placement	-	(60,296)
Less: Share subscription receivable	-	(100,000)
Balance - December 31, 2009	87,753,390	\$ 31,584,526

The Company closed a non-brokered private placement on December 30, 2009. The net proceeds from the private placement were \$553,793 on issuance of 3,114,000 units at \$0.20 per unit. Each unit is comprised of one common share and one share purchase warrant. Each warrant is exercisable for \$0.30 for 18 months. A cash commission equal to 8% was paid to the agents in addition to 249,120 agents warrants to purchase units under the same terms as the financing. The value of the agents warrants issued on the private placement was \$60,296 based on the fair value of proceeds received using the Black Scholes model with the following assumptions; risk free rate of 2.9%, expected dividend yield of 0%, volatility of 148% and an expected life of 1.5 years. All of the warrants expiring June 30, 2011 carry a forced conversion feature whereby if the stock price trades over \$0.45 for ten consecutive days, the Company can give notice to warrant holders that the warrants must be exercised within 30 days.

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7. CAPITAL STOCK (Continued)

(a) Stock Options Outstanding

Stock options to purchase common shares have been granted to directors and employees at exercise prices determined by reference to the market value on the date of the grant. The number of shares available for options to be granted under the Company's stock option plan is 12,000,000 as approved at the 2008 Annual General Meeting. Options granted under the plan vest immediately or over a period of time at the discretion of the board of directors.

A summary of the status of the Company's stock options as at December 31, 2009 and changes during 2009 and 2008 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at December 31, 2007	6,250,000	\$ 0.39
Granted	950,000	0.46
Exercised	(950,000)	0.20
Expired	(200,000)	0.53
Outstanding at December 31, 2008	6,050,000	0.42
Granted	1,050,000	0.16
Expired	(1,150,000)	0.46
Outstanding at December 31, 2009	5,950,000	\$ 0.37

The following summarizes information about stock options outstanding and exercisable at December 31:

Options Outstanding at December 31, 2009			Options Exercisable
Year of Expiry	Number of Options	Weighted Average Exercise Price	Number of Shares
2010	1,675,000	\$0.25	1,675,000
2011	825,000	0.33	825,000
2012	1,550,000	0.62	1,550,000
2013	850,000	0.46	850,000
2014	1,050,000	0.16	1,050,000
	5,950,000	\$0.37	5,950,000

The weighted average life of exercisable options outstanding is 2.2 years as of December 31, 2009.

On February 3, 2010, 800,000 options having an exercise price of \$0.25 expired.

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7. CAPITAL STOCK (Continued)

(b) Stock-Based Compensation

During the year ended December 31, 2009, the Company granted 1,050,000 stock options (2008 – 950,000) to directors, officers, contractors and consultants of the Company with a weighted average exercise price of \$0.16 (2008 - \$0.46) per share, which can be exercised for a period of up to five years. 950,000 of the options issued vest immediately and 100,000 of the options vest quarterly over two years.

Stock-based compensation expense was \$370,579 in the year ended December 31, 2009 (2008 - \$664,912), of which \$58,250 (2008 - \$nil) was capitalized to mineral properties.

The fair value of stock options used to calculate compensation expense is estimated using the Black-Scholes option pricing model with the following assumptions:

	2009	2008
Risk-free interest rate	1.75 - 1.79%	3.1 - 3.4%
Expected dividend yield	0.0%	0.0%
Expected stock price volatility	109 - 112%	109 - 112%
Expected option life in years	4.2	4.2

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate.

(c) Share Purchase Warrants

At December 31, 2009, the Company had outstanding warrants to purchase an aggregate 3,363,120 common shares as follows:

Expiry date	Exercise Price	Outstanding at December 31, 2008	Issued	Exercised	Expired	Outstanding at December 31, 2009
29-May-09 Warrants	\$ 0.75	706,216	-	-	706,216	-
24-May-09 Warrants	0.75	16,102,217	-	-	16,102,217	-
24-May-09 Brokers Warrants ⁽¹⁾	0.60	3,220,444	-	-	3,220,444	-
29-May-09 Brokers Warrants ⁽¹⁾	0.60	141,243	-	-	141,243	-
30-Jun-11 Warrants	0.30	-	3,114,000	-	-	3,114,000
30-Jun-11 Agents Warrants ⁽²⁾	0.20	-	249,120	-	-	249,120
Total		20,170,120	3,363,120	-	20,170,120	3,363,120

⁽¹⁾ Each \$0.60 brokers warrant can be exercised for one common share and one half of a new share purchase warrant, each share purchase warrant can be exercised for \$0.75 in return for one common share.

⁽²⁾ Each \$0.20 agents warrant can be exercised for one common share and one new share purchase warrant, each share purchase warrant can be exercised for \$0.30 in return for one common share.

All of the warrants expiring June 30, 2011 carry a forced conversion feature where by if the stock price trades over \$0.45 for ten consecutive days, the Company can give notice to warrant holders that the warrants must be exercised within 30 days.

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7. CAPITAL STOCK (Continued)

(d) **Contributed Surplus**

Contributed surplus is comprised of the following:

	2009	2008
Balance at the beginning of the year	\$ 3,554,576	\$ 2,994,164
Fair value of stock-based compensation	370,579	664,912
Fair value of stock options exercised	-	(104,500)
Agents warrants issued on financing	60,296	-
Balance at the end of the year	\$ 3,985,451	\$ 3,554,576

8. INCOME TAXES

The reconciliation of income tax attributable to continuing operations computed at the statutory tax rates to income tax expense is:

	2009	2008
	30%	31%
Income tax benefit computed at Canadian statutory rates	\$ (319,879)	\$ (768,823)
Permanent and other differences	63,096	560,493
Tax rate variation	(4,205)	28,569
Unrecognized tax losses	47,556	299,453
	\$ (213,432)	\$ 119,693

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows

	2009	2008
Future income tax assets		
Net tax losses carried forward	\$ 1,307,132	\$ 3,447,945
Share issuance costs	386,928	564,524
Other future deductions	244,813	254,606
Equipment	8,086	5,614
Marketable securities	48,251	73,151
	1,995,210	4,345,840
Valuation allowance for future income tax assets	(1,995,210)	(4,345,840)
Future income tax assets, net	\$ -	\$ -

Future income tax assets and liabilities are recognized for temporary differences between the carrying amount of balance sheet items and their corresponding tax values as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

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8. INCOME TAXES (Continued)

The valuation allowance reflects the Company's determination that future tax assets are not more likely than not to be utilized at this time.

	2009	2008
Future income tax liabilities		
Mineral Interests	(4,447,740)	4,871,222
Future income tax liabilities	(4,447,740)	4,871,222

The Company has accumulated non-capital losses for Canadian tax purposes of approximately \$5,181,790 that expire in various years to 2029 as follows:

2010	\$	295,000
2014		242,000
2015		140,000
2026		359,000
2027		1,310,000
2028		1,401,182
2029		1,434,608
	\$	5,181,790

9. RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties and/or the companies of related parties. All services provided are considered to be in the normal course of business and the transactions have been recorded at the exchange amount.

	2009	2008
Management fees paid to companies controlled by directors/officers	\$ 227,666	\$ 295,659
Fees paid to companies controlled by directors/officers for equipment and exploration supplies	-	44,152
	\$ 227,666	\$ 339,811

10. COMMITMENTS

The Company has the following commitments relating to the leases of its offices in Canada and Peru:

	2010	2011	2012	2013
Office leases	\$ 46,660	\$ 17,714	\$ 770	\$ 770

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11. SEGMENTED DISCLOSURE

The Company has one operating segment, mineral exploration. All of the Company's mineral properties are located in Peru and are disclosed in Note 5. Property and equipment are distributed geographically as follows.

Equipment		2009		2008
Peru	\$	88,491	\$	128,299
Canada		29,273		38,447
	\$	117,764	\$	166,746

12. SUBSEQUENT EVENT

On February 1, 2010 the Company granted 250,000 share purchase options to a company in return for investor relations services. The options have an exercise price of \$0.20 and expire in two years.