

*This management's discussion and analysis ("MD&A") focuses on significant factors that affected Panoro Minerals Ltd. (the "Company") during the period ended September 30, 2010 and to the date of this report. The MD&A supplements, but does not form part of, the unaudited consolidated financial statements of the Company and the notes thereto for the period ended September 30, 2010. Consequently, the following discussion and analysis should be read in conjunction with the unaudited consolidated financial statements for the period ended September 30, 2010, as well as the audited consolidated financial statements for the previous year ended December 31, 2009 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, 2009.*

*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 on the Junior Board of the Bolsa de Valores de Lima (Lima Stock Exchange).

### **Highlights third quarter and up to November 5, 2010**

- **Completed infill drill program at Antilla Project**
- **Terminated Antilla JV Agreement with Centauro due to lack of payment**
- **Completed \$6.5 million private placement**
- **Completed planning to commence mobilization for exploration program at Cotabambas Project**

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

#### Panoro Apurimac 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 cash of \$US 13,000,000 and 6,000,000 common shares of Panoro Minerals Ltd. On April 7, 2008 the Company changed the name of CDLM to Panoro Apurimac S.A.

Panoro Apurimac 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 at various stages of advanced exploration or pre-development. The 13 projects are Antilla, Cotabambas, Kusiorcco, Chochoasayhuas, Alicia, Promesa, Pistoro Norte, Sancapampa, Humamantata, Pataypampa, Anyo, Morosayhuas, and Checca.

The Antilla project

The Antilla copper-molybdenum project (7,400 hectares) is at an advanced exploration stage and is located approximately 25 kilometres southeast of Grupo Mexico's Las Chancas project which has reported resources of 200 million tonnes with a grade of 1% copper.

A resource estimate for Antilla was prepared by AMEC Engineering-Peru in 2009. Based on the results of a total of 67 drillholes, including the 48 drillholes from the Company's exploration program completed in December 2008, AMEC reported a global Inferred mineral resource estimate for the East Block area of 154.4 million tonnes at an average grade of 0.47% copper and 0.009% molybdenum using a 0.25% copper cut-off grade. This resource includes a higher grade zone of 70.4 million tonnes at an average grade of 0.56% copper and 0.011% molybdenum.

The mineral deposit is a tabular blanket of supergene sulphide mineralization dominated by chalcocite and molybdenite but also including primary chalcopyrite, which is hosted by quartzites and quartz arenites of the Soraya Formation. Alteration and mineralization patterns suggest that it may be associated with an as yet undiscovered, underlying porphyry copper system.

In order to define the Mineral Resource, a reasonable assessment of extraction costs and pit design was made. The following economic parameters were used:

- Long term metal prices of \$US 2.00/lb copper and \$US 10.00/lb molybdenum
- Mining costs of \$US 1.10/t
- Total operating costs \$US 10.00/t
- Metallurgical recoveries of 90% for copper and 40% for molybdenum
- Final pit slopes of 45 degrees

A potential starter pit within the conceptual life of mine pit contains 15 million tonnes at a grade of 0.72% copper and 0.017% molybdenum at a strip ratio of 0.9 and provides an opportunity to improve the economics of a future operation. At a nominal 20,000 tonne per day open pit operation, the East Block of the Antilla Project would have a 21 year mine life at an overall strip ratio of 2.5.

The technical report identified potential to increase the resource at the Antilla Project in three areas; the possible extension of the supergene sulphide mineralization in the East Block to the north and northwest; the West Block, located 2.5 km from the East Block, where there may be supergene sulphide mineralization similar to that in the East Block; and thirdly, in the potential for underlying hypogene porphyry mineralization in both the East and West Blocks.

On April 8, 2010, the Company entered into a joint venture agreement with Chancadora Centauro SAC (Centauro) for the development of the Antilla copper molybdenum project in Peru. Under the terms of the agreement, Centauro committed to making cash payments of \$US 8 million and spending \$US 17 million over a 30 month period. Payments are scheduled as follows.

- \$US 1 million on signing, pursuant to the terms outlined below (received)
- \$US 4 million 90 days after reaching a community agreement with Antilla - July 17, 2010 (not received)
- \$US 3 million by March 17, 2012
- \$US 17 million will be invested towards the completion of bankable feasibility studies on the project and will include Panoro's share of such costs

Centauro receives the following,

- A right to match any offer by a third party on Panoro's 100% owned Cotabambas project and a \$US 1,000,000 credit towards any such offer accepted by Centauro, provided they maintain an interest in Antilla.
- Equipment at the Antilla project including trucks, tents and a generator with a net book value of \$62,320

The first phase of infill drilling was completed in July 2010. Nineteen drillholes were completed in the high grade pit area for a total of 2,243 metres and all assay results have been announced via press releases. While basically confirming the existing resource model, drilling also showed that high grade mineralization in places extended outside its previously defined limits.

On July 17, 2010, the scheduled second cash payment from Centauro due under the Antilla JV agreement was not received. The Company subsequently provided Centauro with the required notifications of the lack of receipt of payment and that this constituted a breach of the agreement.

After receiving independent legal opinions from prominent Peruvian law firms, on September 16, 2010, the Company notified Centauro that the agreement was terminated due to their breach of the JV agreement. In addition, Centauro's right of first refusal for the Cotabambas Project was also terminated as this right was only in force as long as Antilla agreement was in place. As required by Peruvian law, the Company registered the termination of the agreement with the Public Registry and then transferred all of the mineral concessions related to the Antilla Project back to the Company's subsidiary in Peru. The termination of the Antilla agreement and the transfer of all concessions was completed and registered on September 30, 2010. The termination of the Cotabambas right of first refusal was registered with the public registry on October 13, 2010.

On the 30th of September, Centauro informed the company that it would seek arbitration as called for in the Antilla agreement with the Arbitration Center of the Lima Chamber of Commerce. Both Centauro and the Company have appointed their respective representatives to the arbitration committee. The two selected members of the arbitration committee are in the process of selecting the president of the arbitration committee which is expected by end of year 2010.

Centauro has also launched legal action against the general manager and the Director's of the Company's Peruvian subsidiary. Centauro's claim is that the Company was not entitled to unilaterally terminate the Antilla agreement and the Cotabambas right of first refusal. The Company is confident that it acted within its rights as defined in the Antilla agreement and is preparing its legal case.

The Cotabambas project

Cotabambas (9,900 hectares) is an advanced exploration project encompassing a cluster of copper gold porphyry systems located about 38 kilometres due north of Xstrata's Las Bambas project which has reported resources of 860 million tonnes at a grade of 0.93% copper. A total of 11,770 metres of diamond drilling in 33 holes have been carried out on the project by previous operators. In 2007, SRK Consulting estimated an Inferred mineral resource of 90 million tonnes at a grade of 0.77% copper and 0.42 grams of gold per tonne, using a cut-off grade of 0.4% copper.

Panoro is currently engaged in the re-logging of historical drill core, all of which is located at site. The objective is to update the geological model.

The community engagement program continues with the communities in the project area. To date, agreements have been signed with two of the three communities in the vicinity of the project. The Company is in the process of trying to obtain an agreement with the third community of Cocchapata. Two community relations specialists are working in the area to help facilitate this process. With two community agreements already in place, the Company is planning a 2,300m drilling program on the ground belonging to these two communities. However, a significant portion of the defined resource is within the area belonging to the community of Cocchapata. The Company will not be able to carry out further exploration in this area until an agreement is reached with the community.

The Kusiorcco project

The Kusiorcco project is located near Norsemont's Constancia project (Indicated resources of 256 million tonnes at 0.50% copper, Inferred resources of 156 million tonnes at 0.33% copper) and the historical Katanga Mine formerly operated by Mitsui Mining and Smelting. It consists of strong, coincident one kilometre by two kilometre Induced Polarization and Resistivity anomalies overlying a 300 metre by 500 metre alteration zone characterized by an intensive stock-work of quartz veins with the weathered out voids filled by iron oxides after sulphides. Management believes this to be a leached outcrop of part of an altered porphyry system. The leached outcrop also suggests the possibility of a secondarily enriched zone at depth. The potential of this system to host a significant porphyry copper deposit 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 by locals on a small scale.

The Company's Environmental Impact Statement (EIS) for the proposed drilling program at the Kusiorcco Project was approved in December of 2009. A proposal was submitted to the community of Uchucarcco in November of 2009 for the completion of a community agreement. The terms of this proposal are currently being negotiated with the community and a local group of artisanal miners.

Cochasayhuas Project

The company was successful in negotiating the terms of agreements with the community of Progreso and the agreement was signed on October 3, 2009. A parallel agreement involving the local artisanal miners has still to be finalized.

A site reconnaissance and inspection was carried out by the company. The presence and extent of artisanal mining was mapped and samples of mineralized zones were collected for assaying. Samples from mineralized outcrops confirmed grades of up to 4.7 g/t of gold in the Cochasayhuas vein and 2.2 g/t gold in the San Lucas vein, where artisanal mining is currently concentrated.

Alicia Project

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.

Phase 1 exploration at Alicia consisted of a program of community engagement, detailed mapping of outcropping skarn zones, a grid sampling program and geophysical surveys. As reported by Strait on October 13, 2010, chip and panel sampling over 2-4 metre lengths of at least nine individual skarn zones returned elevated copper, gold and silver values ranging from 0.03-13.05% Cu, 0.005 to 3.55 g/t gold and 0.3-100.0 g/t silver.

Approval to conduct drilling in Phase 2 of the exploration program required reaching a surface-rights agreement, preparing baseline archaeological and environmental studies, and obtaining water-use approval, all of which have been achieved. As reported by Strait on October 19, 2010, a 1,000 to 1,200 metre program of drilling aimed at testing a number of the skarn zones and associated geophysical anomalies has commenced.

The El Rosal Project

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 project has been explored by several drilling campaigns, the latest of which was in 2008. In that campaign, both porphyry copper and replacement-style silver-zinc mineralization were identified in the La Ramada area. The Company is currently evaluating options for advancing this property, including joint venture and/or option opportunities.

**Selected Annual Information**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Interest Income	\$ 2,907	\$ 154,944	\$ 182,841
Net loss	852,832	2,599,766	1,086,915
Loss per share, basic and diluted	0.01	0.03	0.02
Total assets	32,672,777	33,224,012	33,815,308

**Results of Operations**

The Company's loss for the three months and nine months ended September 30, 2010 totaled \$292,505 and \$1,512,800 (2009 - \$(84,444) and \$548,265), a loss of \$0.01 and \$0.02 per share (2009 - \$0.00 and \$0.01).

The loss for the nine months ending September 30, 2010 increased \$964,535 over the same period in the prior year. Stock based compensation increased by \$338,653 due to the number of stock options vesting and also the vesting period. The prior period option grants vested every quarter over a year and a half, but the options granted in the second quarter vested immediately, resulting in an immediate expense of \$643,804. Foreign exchange gain was higher than the prior year by \$93,947 due to a strengthening of the

\$US dollar as compared with year end. There was also a loss of the disposition of marketable securities in the current year of \$274,304 where as there was no such loss in the comparable period. Salaries and fees increased \$124,274 over the prior year due to reduced salaries in the prior year. Investor relations increased \$46,375 due to the use of a company providing this service on a monthly basis in 2010, but not in 2009.

Assets increased from \$32,672,777 as at December 31, 2009 to \$33,234,511 as at September 30, 2010. Capitalized mineral interest costs decreased from \$31,870,004 at December 31, 2009 to \$31,647,821 at September 30, 2010 on account of funds received as part of the Antilla agreement. The Company's cash and cash equivalents increased from \$595,793 as at December 31, 2009 to \$1,204,976 as at September 30, 2010 as a result of the private placement that closed on September 30, 2010.

*Results for the three months ended September 30, 2010*

Net loss for the quarter ended September 30, 2010 was \$292,505 or \$0.01 per share, compared to a gain of \$84,444, or \$0.00 per share in the comparable period of 2009. Significant differences in expenses between the periods are as follows.

Salaries and fees increased to \$129,620 from \$52,625 due to cost saving measures and reduced salaries in the prior year. Legal fees increased to \$18,709 from \$14,409 due to an increase in activities during the year. Travel costs for the quarter ended September 30, 2010 are \$8,105 compared to \$5,488 in the same quarter of 2009 as a result of more frequent trips to Peru and increased travel within Peru. Regulatory fees increased to \$8,388 from \$5,121 due to increased share transactions in the year.

Stock-based compensation expense was \$28,204, down from \$45,222 in the same period of 2009 due to shorter vesting periods on more recent grants and fewer options being granted in the quarter.

The loss on foreign exchange of \$51,750 is a result of unrealized losses on the changing translation of future income tax liabilities as the US dollar has decreased in value in the third quarter. The \$81,750 in future income tax recovery is due to a gain on the intercompany debt between Panoro Minerals Ltd. and its subsidiaries.

Current tax recovery of \$140,000 is a Peruvian tax liability that is payable as a result the JV transaction at Antilla, but is expected to be recovered in the following year.

Exploration expenses were \$842,417 for the 9 month period of which \$344,905 was at Antilla, \$465,637 was at Cotabambas, and \$32,285 was at the other properties. Antilla expenses related primarily to community relations, legal costs on the joint venture, project management, stock based compensation, and an increase in future income tax liabilities. Cotabambas expenses were focused on community relations, exploration office costs, geological consulting, project management, stock based compensation, and increase in future income tax liabilities. These expenditures were offset by a \$US 1 million payment as provided in the Joint Venture agreement, and the sale of \$15,512 in equipment at Antilla.

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

**PANORO MINERALS LTD.**  
**Management's Discussion and Analysis**  
**For the period ended September 30, 2010**

**November 5, 2010**

	30-Sep-10	30-Jun-10	31-Mar-10	31-Dec-09	30-Sep-09	30-Jun-09	31-Mar-09	31-Dec-08
Mineral Property Expenditures	258,253	416,207	167,957	786,105	\$ 242,105	\$ 369,671	\$ 347,344	\$ 1,148,183
General and administrative	255,802	968,687	255,409	186,347	196,275	365,748	378,437	441,671
Interest and foreign exchange	51,488	(63,129)	(76,818)	6,218	23,728	(8,505)	(13,313)	(37,488)
Net Loss (gain)	292,505	1,022,122	198,174	304,567	(84,444)	267,585	365,124	1,290,172
Loss per share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.02

**Liquidity and Capital Resources**

At September 30, 2010 the Company has cash and cash equivalents of \$1,204,976 and working capital of \$891,993. In October the Company closed two additional tranches in its private placement for additional gross proceeds of \$5,106,345. These funds will be used for exploration campaigns on a number of the Company's properties.

**Outlook**

With the successful completion of the \$6.5 million private placement, the company is now funded to advance its projects. The planning for an exploration program at the Company's Cotabambas project is being finalized with mobilization of the drilling contractor expected by November 15, 2010. The focus of the first phase of the program will be step out drilling aimed at expanding the currently defined resource where access is currently possible. The Company will also continue with the engagement process to secure the third and final community agreement with the indigenous community of Cocchapata in order to permit additional step out and infill drilling over the portion of the resource underlying the area under their control. The Company has made plans for additional drilling in surrounding areas in the event that an agreement with the Cocchapata community cannot be reached in the immediate future.

The Company is considering plans to advance the Antilla project with infill and stepout drilling in preparation for a future scoping study. However, further work at site may be deferred until the legal issues with Centauro have been resolved.

**Related Party Transactions**

During the period ending September 30, 2010, the Company paid \$284,116 (2009 - \$125,418) to companies controlled by the Officers of the Company in return for management and project management services. The increase over 2009 is due to the CFO and CEO being compensated through management companies in 2010 rather than by salary as in part of 2009.

Crescent Park consulting received \$150,000 for the 9 months ending September 30, 2010 in return for CEO services provided. Crescent Park consulting is owned by CEO, President and Director, Luquman Shaheen. The transactions were measured at cost and are part of a service contract. The contract can be cancelled by the company without cause for \$50,000

Britannia Cay consulting received \$69,168 for the 9 months ending September 30, 2010 in return for CFO services provided. Britannia Cay consulting is owned by CFO, Michael Kerfoot. The transactions were measured at cost and are part of a service contract. The contract can be cancelled by the company without cause for \$25,000.

Christian G. Pilon received \$64,946 for the 9 months ending September 30, 2010 in return for project management and VP South America services to the Company through his company of the same name. The transactions were measured at cost and the contract can be cancelled at any time.

### ***International Financial Reporting Standards ("IFRS")***

In January 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian generally accepted accounting principles with IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

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.

### **Management of IFRS implementation**

Panoro is a junior company with a small accounting staff. The CFO will manage the conversion and report regularly to the Audit Committee. The implementation of IFRS consists of three phases:

- (i) Scoping and impact analysis-* Project scoping and impact analysis was nearly completed as at September 30, 2010 and produced a high level view of potential differences to existing accounting and reporting policies and consequential changes to information systems and business processes.
- (ii) Evaluation and design phase-* This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The evaluation phase commenced in 2009 and the Company will continue to evaluate the impact of IFRS through to implementation.
- (iii) Implementation and review phase-* The implementation and review phase has commenced and includes training programs for finance staff, execution of changes to information systems and business processes. It will culminate in the collection of financial information necessary to compile IFRS compliant financial statements, embedding of IFRS in business processes, elimination of unnecessary data collection processes and Board approval of IFRS financial statements. Implementation also involves delivery of further training to staff as systems begin to take effect.

### **Key Differences in accounting policies**

The differences between Canadian GAAP and IFRS identified to date as potentially having a significant effect on Panoro's financial performance and financial position are in the process of being reviewed.

The regulatory bodies that regulate Canadian GAAP and IFRS have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and their impact on the Company's financial reports in future years. The future impact of IFRS will also depend on the particular circumstances prevailing in those years.

The summary in Table 1, should not be considered as a complete and final list of the changes that will result from the transition to IFRS as the Company intends to maintain a current and proactive approach based on changes in circumstances and no final determinations have been made. In addition, the accounting bodies responsible for issuing Canadian and IFRS accounting standards have significant ongoing projects that could impact the Company's financial statements as at 1 January 2011 and in subsequent years, including projects regarding financial instruments and joint venture accounting. In addition, there is an extractive industries project currently underway that will lead to more definitive guidance on the accounting for exploration and evaluation expenditures, although this is still in the discussion paper stage and may not be completed for some time. The Company is continuing to monitor the development of these projects and will assess their impact in the course of its transition process to IFRS.

Table 1. Summary of financial statement impact on transition from Canadian GAAP to IFRS.

<b>Key Area</b>	<b>Canadian GAAP (as currently applied)</b>	<b>IFRS</b>	<b>Analysis and preliminary conclusions</b>
Property, plant and equipment ("PP&E")	PP&E is recorded at historical cost. Depreciation is based on their useful lives after due estimation of their residual values.	PP&E can be recorded using the cost (on transition to IFRS, the then fair value can be deemed to be the cost) or revaluation models. Depreciation must be based on the useful lives of each significant component within PP&E.	PP&E will likely continue to be recorded at their historical costs due to the complexity and resources required to determine fair values on an annual basis. Based on an analysis of PP&E and its significant components, the Company has determined that no change to their useful lives is warranted and, therefore, depreciation expense will continue to be calculated using the same rates under IFRS.
Mineral properties	Exploration, evaluation and development costs are capitalized when incurred. They are amortized on the basis of production or written off when the prospect is no longer deemed prospective or is abandoned.	IFRS has limited guidance with respect to these costs and currently allows exploration and evaluation costs to be either capitalized or expensed.	The existing accounting policy is likely to be maintained.
Stock-based compensation	Stock-based compensation is determined using fair value models (e.g. Black-Scholes) for equity-settled awards and the intrinsic model for cash-settled awards. The Company recognizes stock-based compensation at vesting and updates the value of the options for forfeitures as they occur.	Stock-based compensation is determined using fair value models for all awards. Under IFRS, stock-based compensation is amortized under the graded method only. In addition, the Company is required to update its value of options for each reporting period for expected forfeitures.	The Company expects to record an IFRS income statement adjustment at January 1, 2010.
Income taxes	There is no exemption from recognizing a deferred income tax for the initial recognition of an asset or liability in a transaction that is not a business combination. The carrying amount of the asset or liability acquired is adjusted for the amount of the deferred income tax recognized. All deferred income tax assets are recognized to the extent that it is "more likely than not" that the deferred income tax assets will be realized.	A deferred income tax is not recognized if it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction affects neither accounting profit nor taxable profit. A deferred tax asset is recognized if it is "probable" that it will be realized.	The Company recognized a significant income tax liability on its acquisition of Cordiller de Las Minas in 2007 and also recorded an corresponding increase in the value of its mineral properties. Upon conversion to IFRS one of the options the Company is considering is to remove this income tax liability and the corresponding increase in mineral interests. At January 1, 2010 this amount was approximately \$4 million.

### **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 and operation of the Company's disclosure controls and procedures as at September 30, 2010 as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of September 30, 2010, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's Interim filings (as such terms are defined under National 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.

### **Internal Controls Over Financial Reporting**

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the design and operation of the Company's internal control over financial reporting based on the criteria set forth in *Internal Control over Financial Reporting – Guidance for Smaller Public Companies* by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of September 30, 2010 and no material weaknesses were discovered.

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

There has been no change in the Company's internal control over financial reporting during the period ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect the Company's internal control 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. The design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

**Summary of Outstanding Share Data**

A summary of the status of the Company's stock options as at November 5, 2010 and changes during the period then ended is as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
<b>Outstanding at December 31, 2009</b>	5,950,000	\$ 0.37
Granted	250,000	0.20
Expired	(800,000)	0.25
<b>Outstanding at March 31, 2010</b>	5,400,000	0.38
Granted	3,150,000	0.30
Exercised	(50,000)	0.16
<b>Outstanding at June 30, 2010</b>	8,500,000	0.35
Granted	100,000	0.25
Exercised	(100,000)	0.25
Expired	(925,000)	0.25
<b>Outstanding at November 5, 2010</b>	7,575,000	\$ 0.35

As at November 5, 2010, 7,575,000 options were fully vested and expire as follows:

<b>Options Outstanding at November 5, 2010</b>			<b>Options Exercisable</b>
Year of Expiry	Number of Options	Weighted Average Exercise Price	Number of Shares
2011	675,000	0.33	675,000
2012	1,800,000	0.56	1,800,000
2013	850,000	0.46	850,000
2014	1,000,000	0.16	1,000,000
2015	3,250,000	0.30	3,250,000
	<b>7,575,000</b>	<b>\$0.35</b>	<b>7,575,000</b>

The following warrants were outstanding at November 5, 2010

Expiry date	Exercise Price	Outstanding at December 31, 2009	Issued	Exercised	Expired	Outstanding at October 5, 2010
30-Jun-11 Warrants	\$ 0.30	3,114,000	-	-	-	3,114,000
30-Jun-11 Agents Warrants <sup>(1)</sup>	0.20	249,120	-	-	-	249,120
31-Mar-12 Warrants	0.35	-	2,689,810	-	-	2,689,810
15-Apr-12 Warrants	0.35	-	2,811,148	-	-	2,811,148
15-Apr-12 Agents Warrants	0.35	-	216,810	-	-	216,810
29-Apr-12 Warrants	0.35	-	7,401,542	-	-	7,401,542
29-Apr-12 Agents warrants	0.35	-	972,123	-	-	972,123
<b>Total</b>		<b>3,363,120</b>	<b>14,091,433</b>	<b>-</b>	<b>-</b>	<b>17,454,553</b>

<sup>(1)</sup> 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.

At November 5, 2010 there were 113,709,110 common shares outstanding.

### Commitments

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

	2010	2011	2012	2013	2014
Office leases	\$ 11,665	\$ 17,714	\$ 770	\$ 770	\$ -

### 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.

### Regulations and Mining Law

Mining operations and exploration activities are subject to extensive local and overseas' laws and regulations governing exploration, development, production, taxes, labour standards, occupational health, waste disposal, protection and remediation of the environment, reclamation, mine safety, toxic substances and other matters. Compliance with such laws and regulations increases the costs of planning, designing, developing, constructing, operating and closing mines and other facilities. It is possible that the costs and delays associated with compliance with such laws and regulations could become such that the Company would not proceed with or would postpone the development and operation of a mine or mines.

### **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)